

Status: Ready To File

Western Massachusetts Electric Company
Docket No. DTE 04-106

Information Request DTE-01
Dated: 12/02/2004
Q- DTE1-018
Page 1 of 2

Witness: Richard A. Soderman
Request from: Department of Telecommunications and Energy

Question:

Refer to Exh. C, Att. 2, Sch. 8, income taxes. Was interest expense of \$7,861,000 deducted in calculating the Company's pro forma income taxes? If not, please recalculate income taxes including the deduction for interest expense.

Response:

A settlement was agreed upon by the Attorney General and the Company as a result of the Company's immediate need for rate relief. As a basis for settlement discussions the Company derived its revenue requirement using its standard filing requirements shown in Exhibit C, Attachment 1, Schedules A, B, C and D. The Company based its test year and test year pro forma costs including taxes on the distribution portion of its actual costs as reported in the 2003 FERC Form 1.

The Company also filed Exhibit C, Attachment 2, Schedules 1 through 9 based on similar schedules in the Department's decision in the Boston Gas Company rate case (D.T.E. 03-40). Using a different format than customary for the Company, especially for Schedule 8, the Company incorrectly excluded the interest deduction from its calculation of Schedule 8. The Company has revised Schedule 8 to include the interest deduction. The Company also included an adjustment to taxable income for "Permanent and Flow Through Tax Differences" of \$1.8 million. The remaining difference between the tax calculation on Schedule 8 and the Company's taxes as shown on Exhibit C, Attachment 1, Schedule C-1.0 of its standard filing requirements is included on Schedule 8 as a pro forma adjustment of \$2.314 million.



DTE 1-18.xls